



Open meeting minutes — November 16, 2021

Professional Ethics Division Professional Ethics Executive Committee

The Professional Ethics Executive Committee (PEEC or committee) held a duly called meeting on November 16, 2021. The virtual meeting convened at 10 a.m. EST and adjourned at 3:05 p.m. EST.

Agenda materials for this meeting were sent to PEEC members and observers on October 29, 2021 and were posted to aicpa.org.

Contents

Attendance

Key votes in this meeting

Welcome

Noncompliance with laws and regulations

IFAC convergence and monitoring

Simultaneous employment or association with an attest client

Statements on Standards for Tax Services

Member enrichment update

Information system services

Client affiliates

Confidentiality and data security

Compliance audit

IESBA update

Approval of August 2021 meeting minutes

Future meeting dates

Appendix

Attendance

<p><i>Members</i></p> <p>Brian Lynch, Chair Catherine Allen Claire Blanton Thomas Campbell Robert Denham Anna Dourdourekas Anika Heard Jennifer Kary Jefferey Lewis Alan Long William McKeown Randy Milligan James Newhard Stephanie Saunders Katherine Savage Lewis Sharpstone Lisa Snyder Peggy Ullmann Daniel Vuckovich</p> <p><i>Guests</i> See exhibit 1 in the appendix of this document.</p>	<p><i>AICPA Professional Ethics Division staff</i></p> <p>James Brackens, Vice President – Ethics and Practice Quality Toni Lee-Andrews, Director Ellen Gorla, Associate Director Jennifer Clayton, Associate Director Elaine Bagley Sarah Brack Michele Craig Emily Daly Liese Faircloth Jennifer Kappler Iryna Klepcha Kelly Mullins Melissa Powell Karen Puntch Michael Schertzinger Heidi Winn Summer Young Shannon Ziemba</p>
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Key votes in this meeting

Motions approved

- Form a task force to determine the convergence needs for IESBA's January 2021 final pronouncement on the objectivity of engagement quality reviewers
- Form a task force to review the possible conflict between the code and USERRA
- Approve a temporary enforcement policy related to USERRA and parallel state statutes
- Delay the effective date of the ISS interpretation for one year
- Expand the charge of the Client Affiliates Task Force
- Expand the charge of the Compliance Audit Task Force

Welcome

Mr. Lynch welcomed the committee and discussed administrative matters.

Noncompliance with laws and regulations

Mr. Denham updated the committee on task force activities ([agenda item 1A](#)) and presented a summary and analysis of the comment letters with revisions to the guidance based on comments received. The task force sought input on the exposure draft of the NOCLAR proposed interpretations ([agenda items 1B-1D](#)). There will be an updated version presented at the February PEEC meeting.

IFAC convergence and monitoring

Mr. Lynch presented revisions made to the IESBA code ([agenda item 3](#)) addressing the objectivity of the engagement quality reviewer. The working group sought approval to form a standard-setting task force to determine changes needed to converge with IESBA.

Vote

The committee voted unanimously with no abstentions to form a task force to determine the convergence needs for IESBA's January 2021 final pronouncement on the objectivity of engagement quality reviewers.

Simultaneous employment or association with an attest client

Ms. Kappler sought approval to create a task force to address the possible conflict between the code and the Uniformed Services Employment Reemployment Rights Act (USERRA) and to approve a temporary enforcement policy ([agenda items 4A-4B](#)).

Discussion

The committee discussed how many firms the policy could impact, alignment with parallel statutes, changes to wording, and the need for legal counsel to be involved in the drafting process.

Votes

The committee voted unanimously with no abstentions to issue a temporary enforcement policy and to appoint a task force for this purpose.

Statements on Standards for Tax Services

Ms. Saunders updated the committee on task force activities.

Items of note are as follows:

- The task force developed a revised draft of the proposal. The proposed quality management tax standard received the most amount of comments; however, other revisions were made.
- Information on the revisions was shared at the National Tax Conference and with the tax practice responsibilities committee. This committee is meeting in December and will provide more comments at their next quarterly meeting.
- The updated draft will be presented to the AICPA Tax Executive Committee at their meeting on November 17th. After this, it will be presented to AICPA legal counsel for feedback and then the state legislative and regulatory team for input.
- It will also be presented at an upcoming NASBA board meeting.
- There should be further updates at the February 2022 PEEC meeting.

Member enrichment update

Ms. Gorla updated the committee on the status of projects.

Items of note include the following:

- Standard setting
 - Records requests and augmented staff projects were completed in 2021
 - Continuing projects include NOCLAR, Compliance audit affiliates, Unpaid fees, Assisting clients with implementing accounting standards, Client affiliates, and SEC convergence
 - Upcoming projects include International convergence: Fees, International convergence: EQR, 529 college savings plans, Simultaneous employment or association with attest client, Business relationships, and Pooled Employee Benefit Plans
 - Delayed projects include Statement on standards for attestation engagements (SSAEs) and Digital assets
- Member enrichment
 - Completed projects include Inducements, Hosting services, Definition of office, and New services
 - Projects in process include ISS practice aid, Back to basics podcast series, CGMA code updates, SSTs, Operational enhancements to the code, Protecting client confidentiality and data security, International convergence role and

- mindset, SOC 2 Engagements, Single audit content squad, Plain English Guide to Independence, GAO independence comparison, EAQ Area of Focus: Client Acceptance, NY Regulatory Basis of Accounting, and New website platform
- DOL reporting standards project has been delayed to align with the DOL delayed effective date
 - Upcoming projects include: Artificial intelligence, Conflicts of interest, Gig employment, IESBA Comparison. NOCLAR, Hotline reports for the new system, Ethics decision tree for members in business, Nonattest services toolkit, and Reporting an independence breach to an affiliate that is also an attest client
 - There were 13 podcasts in 2021
 - Peek into PEEC included subject matter experts for rebroadcasted webcasts
 - PPP Content was developed based on hotline inquiries
 - Numerous presentations were given such as those at ENGAGE and other Accounting and Auditing conferences

Information system services

Ms. Dourdourekas sought input from the committee on whether the effective date of the interpretation ([agenda item 2](#)) should be delayed.

Items of note include the following:

- Some firms communicated with the task force concerns regarding the revised interpretation. The task force believes the conclusions reached in the interpretation are appropriate, however, if the interpretation goes into effect as planned, it may result in noncompliance.
- Due to the task force's concerns with potential noncompliance, they sent out surveys to firms to find out if they provided managed IT services. There are concerns that the verbiage "managed IT services" is new and can be unclear. There were 29 responses. 45% of firms indicated they do not provide IT managed services to attest clients. 24% said they would provide these services if they were permitted to. 31% of respondents indicated they do not provide these services and do not believe the services should be permitted.
- Clarification is needed on when system network maintenance, support monitoring services, etc. results in a management responsibility.
- During the one-year delay, the task force plans to hold educational roundtable discussions on these and other aspects in spring of 2022. Results are projected to be presented at the August 2022 meeting.

Vote

The committee voted 10 to 8, with 1 abstention in favor of delaying the effective date of the ISS interpretation for one year, that is January 1, 2023, with early implementation allowed.

Client affiliates

Ms. Snyder provided the committee with an update on the activities of the affiliates task force and sought input on the Q & A – Application of client affiliate rules to individuals ([agenda items 5A–5B](#)).

Items of note include the following:

- The Q & A is an example of an individual who has a controlling interest in a financial statement for an attest client whereby they provide services for the individual and the services do not impair independence.
- The task force struggled to come up with examples of where services for an attest client would result in independence impairment.
- Feedback included wording changes for clarification.

Confidentiality and data security

Mr. Campbell sought approval to expand the task force's charge to include monitoring IESBA's proposals and developing recommendations on how to revise the code.

Vote

The committee voted unanimously with no abstentions to approve the expansion of the task force's charge.

Compliance audit

Ms. Miller and Ms. Powell provided the committee with an update on the task force's activities and sought approval to expand the task force's charge to include the following:

- Consider revisions to existing independence standards with respect to compliance audits
- Consider revisions to the definition of financial statement attest client to exclude compliance audits
- Consider a revision to the client affiliates interpretations (1.224.010 and 1.224.020) to exclude compliance audits

In addition, Ms. Miller noted that the task force plans to develop practice aids to communicate and clarify the requirements under existing standards and will perform outreach to educate members on current standards and to obtain feedback about current practices and challenges.

Ms. Kappler presented the following items of note:

- The number of single audits performed is expected to increase and there is likely to be a corresponding increase in scope for practitioners. The single audit content squad was created to address these needs.

- Over the last six months the squad has raised awareness by presenting to state societies, hosting a webcast for peer reviewers, and publishing articles in the *Journal of Accountancy* and on the AICPA blog.

Vote

The committee voted unanimously with no abstentions to approve the expansion of the task force's charge.

IESBA update

Mr. Mintzer and Ms. Gorla updated the committee on IESBA's September 2021 meeting ([agenda items 6A–6F](#)).

Items of note include the following:

- IESBA will seek adoption of the public interest entity (PIE) standard. The main differences from what was exposed is moving the pensions and collective investment vehicle categories out of the PIE definition and into a paragraph that requires bodies required for setting ethics standards consider adding categories.
- The IESBA tax planning working group is a task force that will be working to develop revisions to the code and supporting nonauthoritative guidance. While the plan is not to incorporate tax morality into the code, the task force will discuss the concept to consider whether there is any information that might help determine what is acceptable or unacceptable tax planning.
- The IESBA engagement team task force will seek approval in December to expose its proposals that will address, among other things, the independence and breach requirements for component auditors that are outside of the group audit firms network.
- The final report comparing the SEC rules to the IESBA's independence standards that are applicable to PIEs will be provided in December.
- The technology project exposure is slated to be approved in December.

Approval of August 2021 meeting minutes

The committee voted unanimously with two abstentions to approve the August meeting minutes ([agenda item 7](#)).

Future meeting dates

The next PEEC open meeting will take place February 16, 2022.

Appendix

Guests in attendance at the November 2021 meeting

	Name	Company
1.	Teresa Bordeaux	AICPA, Senior Manager — Governmental Auditing & Accounting
2.	Michael Glynn	AICPA, Senior Manager — Audit & Attest Standards
3.	Henry Grzes	AICPA, Lead Manager — Tax Practice and Ethics
4.	Justin Long	AICPA, Manager — Peer Review
5.	Kent Absec	Idaho State Board of Accountancy
6.	Josh Angel	JamisonMoneyFarmer PC
7.	Sonia Araujo	PwC
8.	Arthur Auerbach	Arthur Auerbach, CPA
9.	Coalter Baker	NASBA Board of Directors
10.	Lisa Brown	Ohio Society of CPAs
11.	Tammie Brown	U.S. Department of Health and Human Services
12.	Sam Burke	PwC
13.	Crista Burson	Executive Director — Alaska Society of CPAs
14.	Stephanie Cavadeas	Wipfli LLP
15.	David Kirklan Cloniger	RSM US LLP
16.	Allan Cohen	RSM US LLP
17.	Karen Cookson	U.S. Department of Housing and Urban Development
18.	Melissa Critcher	Enforcement Subcommittee

19.	Debbie Cutler	Debra A. Cutler CPA PC
20.	James Dalkin	U.S. Government Accountability Office
21.	Michael Delaney	Connecticut Auditors of Public Accounts
22.	Arthur Dellinger	Kallman + Logan & Company, LLP
23.	Daniel Dustin	NASBA
24.	Jason Evans	BDO
25.	Jeremy Farrah	Runyon Kersteen Ouellette
26.	Kristin Fee	WithumSmith+Brown PC
27.	Greg Fiedler	Sikich LLP
28.	Mira Finé	Ethics Chair — Colorado Society of CPAs
29.	R. Peter Fontaine	NewGate Law LLC
30.	Jessica Fracassi	EY
31.	Andrew Gripp	Crowe LLP
32.	Mary Beth Halpern	Maryland Association of CPAs
33.	Pamela Ives Hill	Ethics Chair — Missouri Society of CPAs
34.	Kelly Hnatt	External Counsel
35.	Nigel James	U.S. Securities and Exchange Commission
36.	Vassilios Karapanos	U.S. Securities and Exchange Commission
37.	Peggy Kitzmiller	Aldrich CPAs + Advisors LLP
38.	Elizabeth Knipscheer	Ethics Chair — Arkansas Society of CPAs
39.	Kimberly Kuhl	KPMG

40.	Joel Lake	JamisonMoneyFarmer PC
41.	John Lauseng	Aldrich CPAs + Advisors LLP
42.	Nathan Lee	Richey May & Co., LLP
43.	Kam Leung	IESBA
44.	Lynette Lindner	Connecticut Society of CPAs
45.	Stacey Lockwood	Society of Louisiana CPAs
46.	Joe Marchbein	Rice Sullivan, LLC
47.	Elizabeth McKneely	Deloitte
48.	Brandon Mercer	Deloitte
49.	Nancy Miller	KPMG
50.	Andrew Mintzer	Hemming Morse, LLP
51.	Angela Miratsky	BKD, LLP
52.	Jayme Moerdyke	Plante Moran PLLC
53.	Karen Moncrieff	EY
54.	Christina Moser	Plante Moran PLLC
55.	Jan Neal	Deloitte
56.	Jen Noble	RSM US LLP
57.	Donna Oklok	Accountancy Board of Ohio
58.	Jeff Olejnik	Wipfli LLP
59.	Lynn Osborn	JamisonMoneyFarmer PC
60.	Kurt Pany	Emeritus Professor — Arizona State University

61.	Christine Piché	CliftonLarsonAllen
62.	Chris Rabin	Sikich LLP
63.	Jacqueline Reardon	Rosen, Sapperstein & Friedlander, LLC
64.	J. Michael Reese	The Hanover Insurance Group
65.	John Robinson	RSM US LLP
66.	Daniel Sanders	Dixon Hughes Goodman LLP
67.	Eric Schreiber	415 Group
68.	April Sherman	CliftonLarsonAllen
69.	Annette Stalker	Stalker Forensics
70.	Marc Stepper	Ethics Chair–Washington Society of CPAs
71.	Joseph Tapajna	University of Notre Dame
72.	Rachel Trafford	University of Massachusetts Amherst
73.	Shelly Van Dyne	BDO
74.	Sharron Waugh	Tennessee Board of Accountancy
75.	Jim West	BDO
76.	Paula Young	EisnerAmper LLP
77.	Madiha Zafar	PwC